The Management REVIEW

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THE AMERICAN MANAGEMENT ASSOCIATION

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The Management REVIEW

SOME day American business will become so calloused to the diplomatic gyrations of the European dictators that even the maddest land grab will be accepted here without a ripple in the stock market. America will have become immune to war rumors and to those disquieting reports that emanate from "unusually well-informed quarters." But that day is not yet. Judging by the action of the business indexes for the last month, the dictators might well have been running a puppet show with American markets as the principal puppets, for the markets teetered with each new ominous report "from very reliable sources" and tumbled with every pronunciamento.

But if war should really come, what conditions would American business actually face? An excellent summary of war-control legislation that would probably be in effect is given by Leo Cherne in his article, If War Comes: Its Effect on Business (page 113). The legislation is unusually stringent. The Neutrality Act will prevent any new and profitable war trade; repeal of the Act would make this the worst of all possible imperialistic worlds, with us in the thick of the fray.

THE Governor of Texas points out a remarkable domestic trade situation: A moving van traveling from his state to West Virginia would have to pay $1000 in attorney's fees, taxes and other expenses. Not only that—six weeks would have to be spent in complying with state regulations. This brings us to the war at home—"the war between the states"—where the issue involved is home trade and the guns used are local impediments to traffic over state lines. One state has even ordered that all text books used in its schools must be written by residents of the state. From the slogan "buy American" we have reached "buy California" and "buy Massachusetts." Will it soon be "buy Oshkosh or Coral Gables"? Though it is still unconstitutional for one state to levy duties on imports from another state, there appear to be many ways of circumventing this prohibition. See Balkanizing the United States (page 112).

Current Comment

PRIVATE INTEREST AND PUBLIC RESPONSIBILITY

THE field of business obviously is beginning to recognize the need for objectivity in its relations with the public, to integrate itself better into the larger society. The recognition of this new striving toward adjustment with existing public attitudes has placed much emphasis at the present time on public relations, not the whitewashing kind but the kind that attempts to measure public attitudes, and then acts in advance of them and conforms to these desires.

Public resentment against business as a result of the depression brought with it pressures of democracy both from within business and without, making for a change of outlook on the part of all business. We have come a long way from the definition of the public interest contained in Bouvier's "Law Dictionary." Business affected with a public interest, according to Bouvier, was:

"1. Where the following of the business is permitted by the state as a privilege of franchise.

"2. Where the state on public grounds renders a special assistance by taxation or otherwise.

"3. Where special privileges are granted in consideration of some special return to be made to the public."

Today there is no private business. All business is public business.

Here are some indications clipped from the day's news that show how this objective approach is bringing results:

"The New York Stock Exchange crusade to safeguard the investing public has passed another milestone. Partners in brokerage firms who are not actual members of the Exchange will be compelled to become 'allied members,' a new category. It doesn't give them any new privileges, but it entails new responsibilities. They will become as much subject to Stock Exchange rules and discipline as the full members now are."

Or another item: "The New York Cotton Exchange has adopted rules imposing strict regulation on commodity counselors with a view to driving out the phonies."

Or another: Recently Edward R. Stettinius, Jr., chairman of the board of the United States Steel Corporation, told the annual convention of the Association of Life Insurance Presidents that the general welfare calls for greater progress in the realization of industry's responsibilities to society, even though it is growing.

"No longer," he said, "can industry plow a single furrow toward a strictly commercial objective; instead, it must manage its affairs with due regard to the whole field of human relations. Industry must strive to adjust its operations to the highest purposes of life and, in so doing, it may safely depend upon the wholehearted support, sympathy and understanding not only of our great body of employees and their families but the public as well. Only thus will be achieved a better social, as well as economic, standard of living."

This illustrates the new approach to the problem, the new approach of measurement and sampling of leaders of public opinion, and then conforming in advance to the needs and desires of the public that are indicated.

There are many manifestations today that indicate that the lines of private interest and public responsibility are converging in the democracy, that the private interest and public responsibility are becoming synonymous in meaning.

There are the activities consciously participated in by groups and individuals that make for these converging lines of the private interest and public responsibility. Let me enumerate them:

First, there are the codes of ethics and practice voluntarily entered into and accepted by industries and trades through their associations.

Second, there are the codes of ethics and practice voluntarily accepted and carried on by the professions.

Third, there is the growth and development of a new profession, that of counsel on public relations.

Fourth, the pressure groups of various kinds functioning within the democracy to bring about greater public responsibility of private interests.

Fifth, the heads of specific industries who enforce public responsibility within an industry.

Sixth, laws—which define private and public responsibility.

As the result of these activities we can perceive all about us in the democracy a constantly active evolutionary process leading toward increased convergence of the private interest and the public responsibility.

EDWARD L. BERNAYS.

THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Balkanizing the United States

The United States has suddenly gone back a hundred and fifty years to the day when the states of the old Confederation were fighting each other as world states are doing today, and trade, even in the essentials of life, came almost to a stop between New York, New Jersey and Connecticut because of a bitter tariff war. Instead of a united nation of 130,000,000 citizens trading freely with one another, we are now witnessing a new "war between the states," even if that war is, as yet, only commercial.

Though it is still unconstitutional for any state to levy duties on imports from other states, there are many ways of circumventing this prohibition. Ten states in the Southwest, for example, now have "ports of entry" at which trucks, and in some cases private cars, are held up by vexatious examinations, delays and fees. The idea in these and many other states is so to hamper interstate trucking, with, it is said in many cases, the support of the railroads, as to lessen imports and force people to buy more from local merchants. Ex-Governor Allred of Texas has noted that, in one case of a moving van going from his state to West Virginia, the driver would have to spend at least $1000 in attorney's fees, taxes and other expenses, and six weeks in complying with the regulations of the states traversed.

The ports of entry, a term hitherto undreamt of in our free trade area, are practically custom houses. One state even tried to levy a prohibitive duty on cement under the name of an "inspection charge." The agricultural quarantine laws provide another method of stopping interstate commerce, and, to cite one example, the citrus fruits of Florida are prohibited from being taken into California.

The repeal of Prohibition and the setting up of state regulation have provided another method of interfering with commerce, and we have the "beer war" in which some dozen states are at present engaged. The dairy states have also taken a hand in the new protectionism, and we have milk and oleomargarine wars. Here again, obstructive inspection and other laws take the

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place of duties, and with the same results. Though inspection and quarantine are necessary, they can be so managed as to prevent interstate commerce.

The new tax laws and the levying of "use taxes," to offset sales taxes for the ostensible benefit of the local merchant, have proved powerful weapons to prevent business being carried on over state lines. Many states also have laws which restrict state employment to residents, and the purchase of materials and supplies to home dealers. One state has even reached the *reductio ad absurdum* of declaring that all textbooks used in its schools must be written by citizens of the state! From the old slogan of "buy American" we have passed to "buy California" or "buy Massachusetts," and may soon have to "buy Coral Gables or Oshkosh."

The effort to put the theory of national self-sufficiency into practice has broken down world trade. Yet, having lost a large part of world trade, we are now rushing as fast as we can to destroy domestic trade. For if we Balkanize the nation into 48 states warring commercially, what will become of our national business? By James Truslow Adams. *Barron's*, March 20, 1939, p. 3:1.

If War Comes: Its Effect on Business

War and its concomitant—depression—affect private enterprise more widely than they do private lives. But though the international threat is giving genuine concern to private observers as well as to official leaders in Washington, to no major problem is business devoting less thought and offering less resistance.

If there has been any question that continental war affects even the smallest of domestic businesses, that question has been almost wholly dispelled by the recent reaction of our stock markets to the German-Czech crisis. It is important, therefore, to have the answers to two questions: (1) When will the "great adventure" start, and (2) what will happen to business when it does start?

To attempt to set even an approximate date for the start of war would be merely foolhardy. However, the answer to the second question is already rather clearly defined.

(1) *The first effect* on business of a European war will be the collapse of international currencies, a panicky flow of gold into the United States, the destruction of export markets, and a marked change in the New Deal.

(2) *The New Deal*: The commencement of hostilities on the continent involving any one of our former major allies will almost certainly result in a Roosevelt *third term*—but a third term inaugurated under war auspices will introduce a New Deal more clearly cut out to the pattern of business demands.

(3) *The tax developments* will not, however, be cut to the business taste. If a spring war scare crystallizes into a conflict entangling us, the Connally War Profits Tax will get hurried backing from a large bloc of isolationist

Congressmen. Proposed changes in the taxing system, effective upon declaration of war, include: a rise in normal individual income tax rates from 4 per cent to 10 per cent; substantially lower exemptions; drastically increased individual surtax rates. The *corporate* tax would be high enough to *force distribution of earnings.*

(4) *Regimentation of Labor and Industry*: Far more drastic and threatening than the Connally Bill is the May War Profits Bill, creating a one-man wartime dictatorship. *This has been approved by the House Military Affairs Committee.* The War Department already has an elaborate, zealously guarded plan, enumerating the specific industries and even the specific plants which can be taken over in wartime.

(5) *The Draft*: Members of the House and Senate committees on military and naval affairs state there will be *no exempted classes*—no "indispensable" positions or occupations. "All will go" is the general consensus.

(6) *Exports*: The Johnson Act forbids loans or credits to any foreign nation in default on its obligations to the United States. The Neutrality Act prevents the shipment of war materials to any warring power, and compels the purchase of all other commodities on a "cash-and-carry" basis. Thus, if the United States is to maintain a neutral peace, this peace will be paid for in heavy loss of business, with a resulting depression of domestic activity. And this, in turn, will result in a move on the part of business to force the repeal of these statutes, permitting America to reap rich harvests of foreign gold. And if *this* campaign succeeds, we'll be on the same road we traveled in 1914-1916.

By Leo M. Cherne. *The Bankers Magazine*, April, 1939, p. 291:5.

How Big Is Big Business?

Most business men are bewildered by the new outcry against monopoly and restraint of trade. Whatever may be the structural relationships within their respective industries, they are for the most part mournfully aware of forces preventing them from doing what they would like to do with prices, qualities, production and profits.

It is hardly necessary to demonstrate that a substantial proportion of industrial wealth lies in the hands of a relatively small number of corporations. The degree of that concentration and its significance, however, are matters of no small dispute.

The simple fact of concentration was vividly brought to public attention in the findings of Berle and Means, who pointed out that in 1929 as few as 200 corporations controlled approximately half of America's non-financial corporate assets, approximately 38 per cent of non-financial business wealth, and approximately 22 per cent of national wealth. Somewhat less impressed but still supporting the general theme, the Twentieth Century Fund announced a few years later that in 1933 the 594 largest corporations, or 0.15 of 1 per cent, owned 53.2 per cent of the total assets of all active reporting corpora-

tions submitting balance sheets to the Bureau of Internal Revenue.

All such statistics sound doleful. As a matter of fact, to illustrate the part that psychology can play in such calculations, they can be announced almost lightheartedly. For example, the Twentieth Century Fund report indicates that 80 per cent of all non-governmental economic activity is carried on by the medium-sized or small corporations, by firms which are not incorporated at all, or by individuals. Similarly, the last Berle and Means measure can be inverted to read that, despite the "acquisitiveness" of our great corporations, as much as 78 per cent of the national wealth is still safely controlled by medium and small corporations, by unincorporated firms, by individuals, or by government units in whose hands the interests of the people are protectively cuddled.

How big our big corporations have become depends clearly upon the yardstick preferred. And of course all finales on this topic must make room for the mysterious influence of intangibles, such as investment trusts, interlocking directorates, family relations, voting trusts, minority and management rule, trade associations, and numerous other types of working contact in high and low degree.

By any yardstick, however, it is obvious that many of our business units have attained to great size. Yet in the last analysis we are not helped very much by that bare statistical knowledge in formulating a suitable national policy. What really matters are the highest and most stable rates of production, consumption and employment that can be reached without sacrifice of our essential liberties. Whether our existing organization is an answer to that challenge remains as completely open a question after all physical measurements are completed as before they began. By Edwin B. George. *Dun's Review,* March, 1939, p. 18:17.

The Problem of Industrial Growth in a Mature Economy

Despite the phenomenal industrial gains in the American economy, there are increasing signs of retardation of both population and industrial growth, signs which suggest that the United States is approaching a stage of industrial maturity.

The special committee on population problems of the National Resources Committee has estimated that maximum population will be attained within one or two generations, the most optimistic peak being set at 187 million people in 1980 and the most probable at 154 million in 1980. Among nearly all major industries there has been a notable slowing down in the rate of growth since the World War. In some industries, production trends are horizontal or negatively inclined. Coal production has tended to drop since the War, and there has been a significant downward trend in railroad passenger traffic since 1920, the present traffic volume being only about one-half what it was at that time. Some branches of the steel industry, notably rails and wire rods, are characterized by falling trends. Moreover, it is problematical

whether the construction industry will soon pass its 1928 peak.

Indeed, retardation in growth appears to have taken place in the great majority of major American industries. Arthur F. Burns has shown that there is considerable evidence that most individual industries in agriculture, mining and manufacture have experienced abatement in their rates of growth, and that very likely this abatement is true as well of the individual branches of forestry, fisheries, construction, transportation and trade.

Nor is there any great likelihood that the rates of industrial growth for major industries will stop falling. Within the past two decades there has been continued retardation of growth in older industries, and new industries have not developed fast enough to maintain a constant rate of increase in the total volume of goods produced.

As a result of this general trend, certain social and economic problems are likely to be encountered in the nation over the coming years. Thus, slowing down of industrial trends means a diminished opportunity for investment and a discouragement to initiative; and these tendencies further aggravate the problem of industrial growth since they tend to deprive the economy of both capital funds and aggressive enterprisers. The slowing-down process of industrial maturity is likely to be especially devastating in its effects on real estate values, leading to stagnation or retrogression in these values and thereby cutting off the flow of investment into construction, with a consequent further depressing influence on industrial trends. Industrial maturity is also likely to bring with it more serious and more frequent periods of under-utilization of the factors of production.

These problems are by no means simple ones; rather, their solution will require cooperation of a high order between industry and government—industrial statesmanship as well as political statesmanship. By Glen E. McLaughlin and Ralph J. Watkins. *The American Economic Review,* Supplement, March, 1939, p. 1:14.

OFFICE MANAGEMENT

New System Speeds Typewriting

Too many one-hand words—words which, when written by the touch system in present use on the standard typewriter keyboard, slow up the speed and accuracy of the average stenographer—is one of the claims of the men behind the Dvorak system of touch typewriting, which calls for an entirely new placement of letters on typewriter keyboards.

Dr. August Dvorak, professor of education at the University of Washington, developed the new typewriter keyboard, in which the arrangement of letters is considerably changed. Under

his system, 22 per cent of all characters used are on the third alphabetic row of the bank, 70 per cent on the second row (from the bottom), and 8 per cent on the fourth or bottom row of the bank. The fingers naturally rest on the second row, thus speeding the work and increasing the typist's accuracy.

Many words must now be written by touch operators with one hand, while the other hand remains idle. Evening the work between both hands is a well-established principle of motion study. For example, a touch typist under the present system must write the following words with one hand only: were, raw, war, seat, read, great, tear, eat, ate, cat, few, sew, date, asset, treat—and numerous others.

Recent tests at Chicago University indicate that students learn twice as fast by the Dvorak method as by the standard system. *American Business*, April, 1939, p. 39:1.

Noise in the Office

Typewriting tests were recently made in a room from which all noise could be excluded or, alternatively, where noise of desired intensity could be produced. Under these conditions trained and well-rested persons carried out a number of writing tests. The results of these experiments are notable.

By diminishing the intensity of a certain noise from 55 to 43 units, an increase in writing speed of 4.3 per cent could be obtained during a three-hour test. By combining such typewriting experiments with simultaneous measurements of oxygen consumption, it was possible to determine the consumption of energy involved in typewriting under different conditions. In a quiet environment, well isolated from noise, the consumption of energy rose by 51 per cent from the value at rest, but when the test was performed to an accompaniment of noise, the consumption of energy rose by 71 per cent. In each case the labor result was identical. It thus cost the person concerned considerably greater effort to accomplish the same amount of work under noisy conditions—a circumstance which can entail unfavorable consequences in the long run.

In many offices, satisfactory results in noise reduction have been achieved with specially constructed glass walls, and sound absorption of over 50 per cent has been obtained through covering the walls and ceilings with sound-absorbent materials. To attain maximum noise-absorption, it has been found that:

1. Office machines should always be placed on an elastic underlay of cork, felt, rubber, or the like. When the sound which reaches the operator's ear is still too loud, the machine may be equipped with a sound-insulating covering. The operator may be required to use sound-shields or ear-plugs.

2. Heavier machines should be placed on an insulated underlay in order to diminish the strength of the sounds which are conducted by the floor to the premises below.

3. Telephone signals should be subdued by placing a hood over the tongue of the bell.

4. Office boys should be required to wear shoes with felt soles.

5. "Soundproof" persons should be selected by means of psychotechnical tests where office machines are in use.

6. "Quiet, mental" work should never be performed in the same room as noisy, routine work.

By C. Bertil Nystromer. *The Office*, April, 1939, p. 9:5.

Office Research Projects

Some interesting conclusions have been reached in research projects which were undertaken by members of the National Office Management Association. Four such projects have been completed:

Centralization of Accounts Payable Activities: Of 65 diversified organizations, each of which operates at least several different establishments of some kind or another, 51 (79 per cent) have centralized their accounts payable activities; eight (12 per cent) have partially centralized such activities; six (9 per cent) are functioning under a decentralized setup. The specific advantages cited for centralization include simplification and economy of routine, control of purchases, economy in personnel, and control of funds. In response to the question, "Are cash discounts on purchases allocated to the plants or offices originating the purchases or considered as Head Office income?", 40 per cent of the companies replied, "To plants or offices"; 57 per cent, "To head office"; and 3 per cent, "To district or divided."

Typewriter Type: A total of 80 companies were surveyed to establish the extent to which typewriters with pica or elite type are used, the circumstances under which each is used, and the reasons for the practices followed. It is interesting to note that 65 per cent of all companies prefer elite type. Nationally known companies that are large users of typewriters tend to use elite type almost exclusively, the primary reason given being conservation of space. On the other hand, the main reasons cited for the use of pica type are its legibility and adaptability to multi-carbon work.

Observance of Armistice Day: On May 14, 1938, President Roosevelt declared Armistice Day a national legal holiday. Accordingly, 40 companies were asked: "What is to be the policy of your company in observing Armistice Day?" Twenty-five concerns replied that they would remain open all day; seven stated that they would be closed all day; and five replied that they would be closed half day.

Employee Towels: Of 41 companies queried on the type of towels they furnish employees, 29 per cent declare that they use paper towels only; 27 per cent, paper and hand cloth; 24 per cent, hand cloth only; 10 per cent, paper and roller cloth. The companies using paper towels alone and supplemented represent 68.5 per cent of the total. It is concluded from this study that (1) paper towels are more economical and sanitary but are not desired by officers, executives, and female staff; (2) paper towels supplemented by cloth towels provide a satis-

factory solution to the problem; (3) the roller towel is no longer popular in offices; and (4) the electric drier is not yet common in offices. *NOMA Forum*, April, 1939, p. 15:4.

Out-of-Print Publications Requested

The AMA Library is in urgent need of copies of old AMA publications, and would greatly appreciate receiving copies of the following papers from members or readers:

Sales Executives' Series No. 5—"Is Business Coming or Going?" Committee Report. 1924.

Sales Executives' Series No. 7—"Strength and Weakness of Sales Managers." By R. R. Deupree, General Sales Manager, Procter and Gamble Company. 1924.

Sales Executives' Series No. 23—"Organizing the Marketing Function." By Dr. Melvin T. Copeland, Director, Bureau of Business Research, Harvard University. 1925.

Sales Executives' Series No. 32—"Territorial Market Analysis." By H. G. Weaver, Assistant to Director, Sales Section, General Motors Corporation. 1925.

Office Management Series No. 3—"Labor-Saving Office Equipment." By Albert E. N. Gray, Assistant Home Office Supervisor, Prudential Insurance Company of America.

Production Series No. 5—"Employee Representation." Proceedings of Cleveland Conference of Production Executives' Division. 1925.

Special Papers Nos. 12 and 13.

Since AMA records do not show what the titles of Special Papers Nos. 12 and 13 are, copies of these will be especially appreciated.

PRODUCTION MANAGEMENT

Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Migration*

Home-Work Laws in the States.

With the recent approval by the Governor of West Virginia of a law for the regulation of industrial home work, a total of 18 states have placed legislation of this type on their statute books.

The first attempt to regulate home work and the conditions under which it is performed was made by New York in 1884, but the law passed at that time was declared unconstitutional a year after its adoption. For nearly 30 years no further attempt was made to legislate in this field. At the turn of the century, however, a number of states passed various regulatory laws, and by 1904, 12 states had enacted statutes of this nature. The next step came in 1913, when New York prohibited all home work, even in the home of the worker himself, in the manufacture of food, doll's clothing, and children's wearing apparel. Based on considerations of health, these prohibitions were upheld by the courts.

Under the NRA a large proportion of the codes prohibited home work entirely, while others restricted it to spe-

cific operations or provided for a gradual reduction in the number of home workers.

One of the principal difficulties in making state home-work laws effective lies in the fact that goods produced in states having less strict standards may be shipped into a state to compete with those locally produced. A partial answer to this difficulty appears in the Fair Labor Standards Act of 1938, which embraces many industries not formerly considered susceptible to regulation other than by state governments, and whose provisions have been applied to home work as well as to factory work.

The 18 states now having home-work laws are: California, Connecticut, Illinois, Indiana, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, West Virginia, Wisconsin. *Wage and Hour Reporter*, March 27, 1939, p. 5:6.

(A summary outline of the provisions of the state home-work laws has been included in this article—*Editor.*)

How to Compute Back Pay Under the National Labor Relations Act

The National Labor Relations Board has established the principle that, when workers are discharged because of their union activities, the employer must rehire those workers with back pay from the time they were discharged.

The rule is that the employer must pay back pay from the time of the discrimination (that is, from the discharge) up to the date the employer offers reinstatement. In cases where no work is immediately available and the employer cannot offer reinstatement at once, back pay is ordered from the time of the discharge to the date when the employee has been put on a preferential list for employment when it becomes available (Kuehne Mfg. Co. and United Brotherhood of Carpenters). If the employer's plant is completely shut down for business reasons, or because of a strike, he does not have to pay back pay for that period. But if an employee has been fired before a strike, and the employer manages to keep his plant operating during the strike, the employee so discharged must be given back wages for the period of that strike (American Mfg. Co.). In all cases of unlawful lockouts, however, employees are entitled to back pay for the period of the lockout, whether or not the employer has continued operations during the lockout (Regal Shirt Co.).

The amount of money to which the employee discriminated against is entitled is the sum which he would normally have earned during the time he was without employment. If the employee obtains equivalent or "substantially similar" employment elsewhere, the amount he makes is deducted from the amount of back pay to which he would otherwise be entitled. Strike benefits and unemployment compensation are not deducted from the amount of back pay. But if the worker was to receive a bonus during the time he was discharged, the employer must pay the amount of bonus the employee normally would have earned (Central

Truck Lines). In the case of an employee being forced to move from his home, the employer must reimburse the worker for the amount it cost him to move (Precision Casting Co.).

If an unfair labor practice has been a contributing cause to a strike, the Board has always held that the employer must, upon their application, reinstate the striking employees. The Board makes a distinction between employees who have been discriminatorily discharged and those who go on strike. The former get back pay from the time of the discharge prior to the strike to the date of the strike, if the plant was operating during that period, and again, from the date when operations in their departments began after the reopening of the plant to the date of offer of reinstatement. The latter receive back pay only from the date they apply for reinstatement to the date the employer offers them reinstatement. By Joseph A. Padway. *American Federationist,* March, 1939, p. 282:2.

Labor Productivity in the Shoe Industry

Output of shoes per man-hour has increased markedly with the mechanization of the shoe industry. Such factors as style changes, managerial policies, and dexterity of individual workers have each played an important role in determining the extent of the increase in labor productivity.

A study conducted by the Bureau of Labor Statistics in cooperation with the National Research Project of the WPA revealed that man-hour output in a group of plants producing men's shoes in 1935 was about 21.5 per cent higher than in 1929, and 38 per cent higher than in 1923. Noticeable increases in the output per man-hour of various grades of women's shoes were also found. *Monthly Labor Review,* February, 1939, p. 271: 22.

Union Membership and Contracts

Although business conditions in 1938 were not conducive to any great extension of union organization, the unions were able not only to maintain their relatively high 1937 membership figure but to make increases in certain trades and areas. Membership reported to the 1938 conventions of the A. F. of L. and the CIO totaled nearly 7,750,000. With the addition of the non-affiliated railroad unions, the total trade-union membership in 1938 was somewhat over 8,000,000.

In 1938 the most marked gains in union membership were among electrical workers, canneries, machinists, truck drivers, packing-house workers, bakeries, laundries, hotels and restaurants, retail trade, and certain sections of commercialized agriculture. There was considerable union increase, also, among clerical and professional workers, such as actors, insurance agents, state and county employees, teachers and newspaper reporters.

Collective agreements naturally followed in the wake of union membership. In industries previously organized, unions were in most cases able to maintain and renew their contracts without wage reductions. In addition,

many new agreements were entered into during the year.

Of 85 industries and trades surveyed, 30 were found to be operating in large part under collective-bargaining agreements. Outstanding among the industries almost entirely under written agreements were coal mining, railroad train and engine service, breweries, flat glass, newspaper printing, and men's and women's clothing. The automobile industry, with the exception of the Ford Motor Co., was almost entirely under union contracts, as was also the steel industry with the exception of half a dozen of the medium-size concerns, and the rubber industry with the exception of the Goodyear Tire & Rubber Co. and a few small plants. *Labor Relations Reporter*, March 27, 1939, p. 8:2.

(This article is based on a study made by Florence Peterson, of the Bureau of Labor Statistics, United States Department of Labor —*Editor.*)

Recent Changes in Dismissal Compensation Plans

As shown by an earlier study, more than 200 American firms paid dismissal compensation during the period 1928 to 1933 to assist employees who were permanently laid off primarily because of technological changes or depression conditions. Data recently obtained indicate that, with improved business in most industries, the need for dismissal compensation has decreased and the number of new plans declined. A few large firms, however, have adopted formal dismissal policies to replace their informal plans. While certain dismissal compensation plans have been modified or discontinued since unemployment insurance laws were enacted, the majority of the companies having such plans have continued them as a supplementary protection to dismissed employees. Over 50 per cent of the firms surveyed in the latest study report that they have not altered their dismissal compensation policies.

From the present study the following conclusions may be drawn: (1) A few companies have protected the waiting period at the expense of larger dismissal payments; and (2) a larger number of firms have reduced their scales of dismissal compensation for certain groups of employees, but have planned to assist (a) those not covered by the Social Security Act, (b) those with long service, or (c) those whose previous salaries made unemployment insurance payments seem inadequate. Every indication points to the continuation of dismissal payments by American firms in particular instances as supplements to unemployment insurance benefits. By Everett D. Hawkins. *Monthly Labor Review*, March, 1939, p. 538:7.

The Closed Shop

In a group of 192 companies, selected at random, 102 were found to have agreements with labor organizations. Of these 102 companies, 19 have the closed shop, nine have preferential hiring agreements, and three have definite "check-off" arrangements.

Although executives of a large proportion of the companies covered ex-

pressed opposition to the closed shop, a few either believe that there might be advantages in such an arrangement, or reported satisfaction with their experience under the closed shop.

Possible advantages under closed-shop operation cited by industrial executives include:

1. Eliminates factional strife within the working force by giving a single union exclusive recognition and an assured status.
2. Improves discipline by holding the union responsible for actions of employees, all of whom must be members of the union and, therefore, answerable to the union officers.
3. Puts an end to periodic, short, but troublesome interruptions to operation.
4. Ends the frequent demands by unions for concessions from employers for the sole purpose of holding membership.
5. Tends to standardize wage costs.
6. Brings about a greater feeling of responsibility and interest in their jobs on the part of employees because they have a voice in determining working conditions.

Anticipated or experienced disadvantages of the closed shop as stated by industrial executives include:

1. Interferes with the employee's right to decide the question of membership or non-membership in the labor union.
2. Makes employment contingent on maintenance of good standing in the union and, consequently, commits the employee to permanent union membership.
3. Tends to create a labor monopoly.
4. Destroys discipline and efficiency by making the union officers seem more powerful than the foremen.
5. Places the union, which has neither investment in, nor responsibility for, the business, in a position where it can checkmate the management's operating policies.
6. Deprives management of the power to determine who shall be selected for employment.
7. Tempts the union officers to become arbitrary and unreasonable, because their status is assured.

By Harold F. Browne. *Studies in Personnel Policy*, National Industrial Conference Board, Inc., March, 1939. 12 pages.

Entrance Rates of Common Laborers

A survey of the entrance wage rates paid to adult male common laborers made by the Bureau of Labor Statistics as of July 1, 1938, found that the average hourly rate was 50.8 cents. Of the total number of laborers covered, 3.3 per cent had rates under 25 cents, 8.0 per cent under 30 cents, and 16.6 per cent under 40 cents. Almost a quarter, however, had hourly rates of 57.5 cents or more. By Edward K. Frazier and Jacob Perlman. *Monthly Labor Review*, January, 1939, p. 162:-14.

Recent NLRB Elections

The latest summary of recent NLRB employee elections reveals that A. F. of L. unions are making out very nicely

indeed under existing conditions. Of the 101 elections reported, Federation affiliates entered 70 and won 53, beating CIO unions in 25 cases, and other contestants in 28.

Meanwhile the CIO, entering 62 elections, won 28, in seven of which there was A. F. of L. opposition. Independent unions won majorities in eight out of 12 tries, while employee representation plans were selected in three out of the four elections in which they figured. In the remaining 10 elections, employees voted against collective bargaining. *Business Week*, April 15, 1939, p. 31:1.

Personnel

Psychiatry in Industry

Psychiatry in industry is no mere accident. Its evolution has been clearly defined and has closely followed the problems attendant on the mass effort of large groups. Briefly, it might be said that the function of psychiatry in large employed groups is to preserve the individual while adjusting him to the central effort.

In the neuropsychiatric service of the Metropolitan Life Insurance Company's medical division, four distinct types of employees are treated:

1. Those suffering with organic neurological conditions, such as encephalitis, brain tumors, epilepsy, syphilis, cerebral accidents.

2. Those afflicted with frank psychoses, commonly called mental breakdown.

3. Those suffering from psychoneuroses, commonly called nervous breakdown.

4. Maladjusted employees.

The first two groups are exceedingly important from the industrial standpoint. The onset of organic disorders is insidious, and to detect their symptoms requires the trained eye and brain of the psychiatrist. In the mental-breakdown group, a paranoid supervisor suffering with a Napoleonic complex may subject many employees to a browbeating almost unbearable if his condition is not early recognized. Obviously most employees in these first two groups are too ill to be at work, but it is the function of the psychiatrist to cooperate in every way with the family physician and the relatives, in order that the worker may secure the best possible medical care.

The third and fourth groups furnish many company problems. It is chiefly among the large group of psychoneurotics and maladjusted that absenteeism and lessened efficiency are found. In England today, it is said, 10 million weeks of working time are lost annually through psychoneuroses. The psychoneurotic shows many symptoms that are exceedingly detrimental to business efficiency. The attitude of inferiority, the chronic fault-finder, the

overdependent employee, the day-dreamer, the worrier, the chronically nervous, the excessively fatigued—all these belong in the group roughly termed hysterical, comprising the largest percentage of all time lost from work because of illnesses.

To deal with these individuals and with workers who are maladjusted to their jobs is eminently the task of an industrial psychiatrist. It is likewise the function of an industrial psychiatric department to extend supplementary aid to employees at such crucial stages of life as the male and female menopause; to aid in selecting employees on the basis of intelligence and personality; and to aid in selecting promotional material. While the organization of a mental health service in industry will not provide a panacea for all the varied ills of workers, it will offer some relief in the maintenance of personal adjustment among employees. By Dr. Lydia G. Giberson. Published by the Department of Pensions and National Health, Ottawa, Canada. 28 pages.

When Can Employees Sue the Company for Libel?

True, inter-office correspondence is qualifiedly privileged and the writer thereof is allowed a wide discretion in the language used. On the other hand, when such communications deal with the alleged frailties of employees, as may be necessary in disciplining personnel, their publication should be strictly confined to that purpose and that alone.

For if unnecessary publicity is given to such correspondence, the bounds of privilege may quite easily be overstepped, and the door left open for an action in libel. Here is a nice point for business executives to bear in mind when inter-office correspondence is being dictated and published.

Let us consider a specific case. The manager of a corporation directed that a chauffeur be discharged. This action was made the subject of an inter-office communication and then posted upon the company's bulletin board as follows: "K. (naming the chauffeur) discharged for drinking." The bulletin board was open for the inspection of other employees and sundry persons, being near the entrance of the company's building. Following this, K. brought an action for libel, claiming that the reason given for his discharge was false, that he was not a drinking man. A jury accepted his claim and awarded him $600 in damages.

From this example it is obvious that care may well be exercised in making and publishing charges of incompetency and inefficiency against individuals in inter-office correspondence. Libelous language should be used sparingly—if ever—and with caution. A plain statement of the facts usually will suffice. But if a given situation requires the making of charges of this tenor, the after publication should be restricted to those having a duty and right in the premises, to the end that the qualifiedly privileged character of such inter-office memoranda may not be lost. By Leslie Childs. *American Business*, April, 1939, p. 30:2.

Every Man Knows How to Pinch-Hit

Because vacation time in summer and sickness in winter generally raise havoc with production schedules, one manufacturer decided to train his entire staff to handle more than one job.

The different jobs or operations were classed in order of their importance. Suppose, for instance, that four men work on a machine. The most important might be the makeready man, then the feeder, the delivery attendant, and the packer. If the makeready man is out sick, the feeder immediately becomes the makeready man at the prevailing rate of pay for that type of work, the delivery attendant becomes the feeder, and the packer becomes the delivery attendant. Several boys who are hired to do odd jobs in the shop have been broken in to pack whenever it is necessary, and one of them becomes the packer.

There is another definite advantage in this practice. If the makeready man is 15 minutes late in the morning, it means that the crew on his machine is tied up for that length of time. To eliminate this, the management called all the employees together and stated that if a man should be late, all employees on his machine would step up one position for the day, and the late man would have the lowest-rated position when he came in. Inasmuch as the makeready man receives $1.25 per hour, the feeder 90 cents, the delivery attendant 60 cents, and the packer 50 cents, the regular makeready man would lose 75 cents per hour for the day if he were late. The result of this arrangement was that no worker was ever late. Moreover, the firm gives each employee two weeks' vacation, and because each operator understands different jobs and different operations, production does not suffer. By Roger C. Dickey. *Factory Management and Maintenance*, January, 1939, p. 67:2.

Benefit Systems and Incentives: *Pensions, Profit Sharing, Suggestions, Vacations, Stock Ownership*

Paid-Vacation Plans in Manufacturing and Extractive Industries

The growth of interest in the subject of vacations for industrial workers in recent years has resulted in annual vacations with pay for an estimated two-fifths of wage earners and a large majority of salaried employees in manufacturing industries. The vacation movement has also shown advancement in some of the extractive industries.

Standard vacation for salaried employees is two weeks, while wage earners more often are given one week. A considerable variation in length of service requirements is found. While one year is the most common qualifying service provision, a very substantial proportion of salaried employees

are granted vacations after six months and even after one month of service, and the number of whom more than one year's service is demanded is negligible. But approximately 40 per cent of wage earners under vacation plans are required to serve two years or more before being granted vacations, and about 20 per cent must serve five years or longer.

Vacations which vary in length according to length of service are provided in a great many plants, particularly among the larger organizations.

Various methods of computing vacation pay for wage earners are used, but the most common way is to apply the employee's regular hourly rate to full-time hours for the vacation period. *Monthly Labor Review*, December, 1938, p. 1225:14.

New Contributory Retirement Program of the Standard Oil Company (Indiana)

On January 1 the Standard Oil Company of Indiana inaugurated a contributory retirement plan to displace its previous non-contributory program.

For future service the new pension plan will be on a contributory basis and will be carried through a commercial insurance company. Employees may voluntarily contribute 2 per cent of their monthly earnings up to $250 and 5 per cent on all salary in excess of that amount. As its share, the company matches the employee contributions dollar for dollar. The amount accumulated each year for the employee will be invested in an annuity assuring him a monthly income after retirement. After 10 years' service, the employee acquires a vested right in the company's payments to the insurance company on his behalf. If he withdraws from the plan or dies before time of retirement, he or his beneficiaries will get back his contributions, with interest compounded at 2½ per cent.

For service prior to January 1, 1939, annuities will be paid out of current earnings, so far as the financial needs and condition of the company will permit. However, the company has already begun to build up a trust fund from which pension payments for service accruing prior to January 1, 1939, will be made. An initial contribution of $2,000,000 toward this reserve has been voted by the stockholders.

The normal retirement age is 65 for men and 60 for women. Employees who attained the normal retirement age on December 31, 1938, were not necessarily retired when the contributory plan became effective, but all such employees will be pensioned on July 1, 1939, although in individual cases an earlier retirement may be effected. *The Conference Board Management Record*, February, 1939, p. 31:2.

2,100,000 Credit Union Members

Employee credit unions, which are saving-and-borrowing plans established either under the laws of 42 states and the District of Columbia or under the Federal Farm Credit Act, are getting to be a self-help phenom-

enon. Today there are about 2700 Federal credit unions with assets of around $26,000,000, and nearly 4500 state credit unions with some $95,-000,000 in assets. Approximately 600,000 employees belong to Federal credit unions and 1,500,000 to state credit unions.

Primarily set up for industrial and commercial firms, the credit associations still have a big majority of their membership in such places. But they have been spreading during the past few years—to religious, cooperative, residential and rural classifications. Organized labor has discovered the credit union; at present there are 57 such associations operated by the CIO members working for U. S. Steel, and A. F. of L. unions have a score or so in the Aluminum Corporation plants.

Some complaints have been made about the spread of the credit union idea—for one thing, some employers just don't like the word *union*. A few wonder if a worker with a savings reserve to draw upon, and a place to borrow money, might not be easier to pull out on strike. Probably the main point in favor of the credit unions is their help in keeping the employee out of the loan shark's office and in reducing the number of garnishments and assignments of wages.

Strictly regulated, with all money-handling officers bonded, with self-policing by-laws and regular government or state audits, the credit unions have a fine record of honesty and good business management. There is a top limit to the amount of deposits that can be accepted, and loans are also restricted and must pass the scrutiny of credit committees and directorates. The total amount of bad loans charged off up to June 30 last year represented only 0.04 per cent for the entire history of Federal credit unions. *Business Week,* February 11, 1939, p. 36:2.

MARKETING MANAGEMENT

Battle of the Chains

Taxes levied on chain stores—and no other business—are in force in 23 states. Representative Patman seeks to tax chains up to $48,000 a store (on each unit above 500 if the company operates in 48 states). And a new type of municipal chain-store tax, based on the number of units a chain has throughout the country, was passed in Augusta, Ga., last December.

Low prices offered to consumers by the chain stores are outweighed in the political arguments against the chains by their assumed detriment to small independent business men. Chief among the allegations against the chains, besides placing blame for every retail failure on chain-store competition, is the cry of "absentee owner-

ship" diverting huge profits from local communities to swell the coffers of "big business," traditionally located in Wall Street. As a corollary it is usually averred that the chains underpay and overwork their employees; that they do not pay their fair share of local taxes; that they beat down prices of farm products to the detriment of the farmer.

So long as those sweeping charges went unrefuted it was not difficult for various interests to prevail on legislative bodies to impose discriminatory taxes on the chains. But now the chains are fighting back, and a strong public sentiment seems to be forming behind them. Advertising campaigns initiated by the Great Atlantic & Pacific Tea Co. and several chain-store associations have already aroused public sentiment against further penalization of the chains. The American Federation of Labor has denounced the Patman bill as calculated to affect the employment of at least a million workers. Numerous organizations of women have taken an outright stand against chain-store taxation, and some 2,000,000 women in consumer groups throughout the nation are organized as "shock troops," ready to send delegations to legislative committees to protest against tax measures which would increase the cost of the family market basket.

These groups and organizations are answering the anti-chain-store arguments with statistical information. They are showing, for instance, that there was an increase of 7 per cent in the number of independent retail stores of all kinds and a decrease of 13.8 per cent in the number of chain stores in the period 1929-35; that average profits of 44 leading food chains were 1.13 per cent of sales for the latest accounting year, which is less than most independent merchants could survive on; that the average wages paid by the chain stores are more than 10 per cent higher than those paid by independent stores in similar lines; and that, whereas the average number of employees in all retail stores is under two a store, the chains employ an average of more than four.

While the battle of the chains is not yet won, the trend appears to be more in the chain stores' favor than in recent years, and Mr. Patman's proposal seems likely to be beaten. By Frank Parker Stockbridge. *Barron's*, February 27, 1939, p. 5:1.

What Television Offers as a Selling Medium

Selling by television is not something for the future. It is right here, on our doorstep. However, as an advertising medium on a national scale comparable to radio or the printed word, television's development promises to be a gradual process.

At present we can send images only 50 miles. But this fact opens for us the field of regional transmission, which is especially important when we think of the modern trend to concentrated population. For example, it is estimated that if transmitters were operating in each of 96 concentrated popula-

tion centers of this country, television thus would reach 45 per cent of the nation's population.

Students of the subject declare that television will be three to 10 times more powerful than radio as a selling weapon. This increased effectiveness is expected to more than offset the fact that the mechanics of television will cost nearly twice as much as the mechanics of radio.

Certain prospects come to mind naturally as probable early users of television advertising. These pioneer advertisers, it is expected, will include: manufacturers of television equipment; various firms that will utilize the new medium for its novelty value; and firms whose sales story is outstandingly pictorial. In plain fact, there are no more limits to what may be sold by television than to what may be sold by print or radio, though it is equally true that certain lines lend themselves with more facility to the medium.

The truth is—if a product can be photographed, it can be sold by television; to the service industries, television offers splendid possibilities for *sight-and-sound* dramatization of their sales story. The cue for the advertising executive on this score is to begin at once to interpret his product in terms of television.

Indications are that regional television will come first. Such a development would mean obviously that the medium will initially be most useful to firms and industries whose big job is localized selling. The retail store would seem to be a natural in this picture. No doubt nationally distributed products, such as foods, automobiles, cigarettes, etc., will sell by television; in their case, careful planning will be needed to achieve balanced geographical and population coverage.

Commercial television is not yet a fact; legislation covering it has yet to be enacted. As the law now stands, programs carrying commercial messages may be accepted for television, provided no payment is made to the station for their transmission. It goes without saying that such a bizarre situation must be accepted as temporary. By John Black. *Printers' Ink,* March 30, 1939, p. 63:6.

To Cut Returns

According to conservative adjusters, from 15 per cent to 20 per cent of all goods bought at retail stores are returned by the buyers. How to prevent shoppers from making unfair returns of merchandise has long been a knotty problem to retailers.

Recently, however, a group of credit and adjustment managers in New York introduced a system of recording and classifying causes of customers' complaints that may be the needed solution to this problem. The plan is the result of patient study by a joint committee of the Metropolitan Adjustment Managers Association and the Credit Bureau of Greater New York, whose 1200 store members will from now on cooperate in reporting all unfair returns.

The system works in this way: When a return appears to be unreasonable, the adjustment manager of the store

concerned fills out duplicate report blanks, giving the name of the customer and the circumstances surrounding the return. One copy he retains for his own files; the other he sends to the credit bureau.

When two such reports are received on the same customer from different stores, the bureau includes his name as an erring buyer on a list to be sent out to each of the member stores. The stores themselves will judge whether or not a customer is a chronic returner, while the credit bureau will decide whether or not the rating on returns should be included in the customer's general credit rating. Only customers with particularly poor records on returns will find their general credit standing affected.

While no other city in the United States has used such a system, Baltimore staged a publicity campaign in 1938 to tell customers: Be sure that you want what you order. As a result, returns dropped 3 per cent to 5 per cent from 1937. *Forbes,* March 15, 1939, p. 23:2.

What Buyers Want in Catalogs

Occupying an important role in industrial buying, the catalog has a function distinct from many of the activities commonly associated with sales promotion. As pointed out by K. Lonberg-Holm: "The function of the catalog is that of supplying primary buying information. This implies that catalog information should be useful to the typical buyer, in a specific market, at a specific time."

Mr. Lonberg-Holm has compiled the following six-point check list to be used in preparing catalogs:

1. Include only information on products or services needed by typical buyers in any specific market group. Inclusion of products not of interest is wasteful.

2. Include sufficient information on use, performance, design, etc., to satisfy the needs of potential buyers. Withholding information makes buying unnecessarily difficult, results in fewer inquiries, kills selling opportunities.

3. Include information that will direct the buyer's next step. Omitting information on engineering or sales and service facilities often results in no further buying action.

4. Organize content to make specific items of information easy for the buyer to find. Most catalogs are organized from the seller's viewpoint.

5. Use typography which will make the catalog easy to read. Defective eyesight and poor lighting are general.

6. Use graphic aids—charts, tables, pictographs, drawings, photographs, etc.—which will make the catalog easy to comprehend. Quick understanding promotes buying.

The obvious simplicity of these suggestions may account paradoxically for their being so frequently overlooked. *Industrial Marketing,* March, 1939, p. 18:2.

Saunders' Keedoozle Hits Stride

Ever since Piggly Wiggly burst on the incredulous ears of a populace that was used to having its grocery

stores named with less flagrant whimsy, Memphis has been the home town of originality and utsy-wutsy in retail food distribution. Responsible for starting the fashion and keeping it alive is Clarence Saunders, founder of the Piggly Wiggly stores.

A couple of years ago Saunders opened a store that exceeded his previous efforts at self-service. It was named Keedoozle, apparently because the shopper employed an electrically lighted key to start her selection of groceries tumbling on to a conveyor belt that delivered them to the cashier. Today, after repeated false starts that necessitated revamping of the electrical system, the new automatic store appears to be running smoothly.

The Keedoozle customer inserts her electric key in a slot beside the product she wants to buy, presses a trigger, and receives a printed record on a roll of paper of the name and price of the product. As she walks through the aisles she carries only the key, with its lengthening list of priced, described grocery items. When she has a complete list, the customer hands it over to the Keedoozle cashier, who punches the items up on a register, causing the selected merchandise to come cascading down from its bins.

If this description sounds like a Rube Goldberg cartoon, it fails to do justice to the store. The whole thing is eminently sane and efficient. The cashiering and delivery processes are incredibly swift, and one cashier can serve everybody on the busiest day. Retail and wholesale costs are registered simultaneously, and comparison of retail and wholesale totals gives the gross profit results every evening.

Saunders claims he can produce a complete store equipment — without meat department—to sell at $5600, and will soon be delivering them rapidly to impatient franchise holders. *Business Week*, April 15, 1939, p. 41:1.

Coupon Replies by Mail or Telephone?

During recent years, scores of advertisers have learned to test their copy by such common devices as coupons, reader surveys, and opinion tests. But rarely do you hear of an advertiser using the simple idea of putting his telephone number in a series of advertisements and tabulating the sales to telephone prospects.

Of course this method is not very practical on low-priced items costing 10 or 15 cents. But on high-priced products such as oil furnaces or vacuum cleaners, the telephone call can be easily substituted for the coupon. And a telephone call from an interested prospect has several important advantages over a mail response.

Recently a well-known manufacturer issued a series of advertisements to promote a new household appliance retailing at $100. Coupons were omitted from the ads, and readers were urged to request further information by mail or telephone—preferably the latter. In order to key the advertisements and identify the copy appeals and publications which produced the most sales, this simple system was used: In one

advertisement the prospect was invited to "Telephone Mr. Smith for further information"; in a different advertisement he was invited to "Telephone Mr. Brown for further information"—and so on. The sales resulting from every advertisement were individually tabulated; ineffective media were dropped after one or two insertions, and advertising schedules were increased in the resultful papers.

The telephone prospects were found to be much "hotter" as leads than the mail prospects. In fact, the company's sales manager was able to secure orders for trial installations from two out of three of the telephone prospects, in contrast to one out of four of the mail prospects. This ratio was maintained through the duration of the campaign.

As a result of this experiment, the manufacturer has a successful device for getting leads for salesmen. In addition, he can determine what advertising appeals to use, what layout and size of space are most efficient, and what newspapers produce the most sales at the lowest cost. By John Caples. *Advertising & Selling*, April, 1939, p. 37:2.

FINANCIAL MANAGEMENT

Survey of Taxes Paid by Business in 1938

In these times, when it seems probable that business men as well as government leaders will have to continue a rather serious interest in taxes, it is appropriate to examine the amount and character of taxes paid by various types of business enterprises. Accordingly, such a survey was recently undertaken by Dun & Bradstreet.

From a preliminary analysis of the first 10,000 returns in this survey, it is apparent that the manufacturing industry as a whole pays out somewhat more than 3 per cent of its sales receipts in taxes; retailing (excluding chains) about 2 per cent; and wholesaling 1½ per cent. The manufacturers' ratio, though already highest of the three, does not include any allowance for Federal excise taxes, which are a substantial factor in certain industries.

Some patterns and individual ratios stand out and attract attention, though their significance and implications in the country's tax problems cannot be stated with certainty at this stage. Such is the fact that total tax payments by manufacturing industry, exclusive of Federal excises on commodities, divide into three approximately equal parts—employers' Social Security contributions, Federal income taxes, and state-local taxes. In contrast is the breakdown of payments by independent retailers, one-third of their reported total being sales taxes (state and local), another one-third property

taxes, leaving the remaining one-third to all other taxes.

In the analysis by size of concern, it was found that large retailers consistently pay out a larger percentage of sales in employers' Social Security taxes than small retailers, but that the latter pay relatively more than large retail concerns in licenses and miscellaneous taxes. Also it appears that the proportion of sales volume represented by Federal corporation income taxes graduates more steeply according to size of corporation than the scale of rates in the tax law would indicate.

The survey shows significant differences in the tax payments of various sizes and types of concerns. For instance, these tax payments range from business franchises which amount to only 5 cents per $100 of manufacturers' sales up to the employers' share of Social Security contributions of more than $1.11 per $100 of sales. From 9 cents or less of state income tax collected from each $100 retail volume, taxes paid by or collected through retailers range upward to 71 cents per $100 paid in state and local sales taxes. The same two state taxes—income and sales—stand respectively at the low and high ends of the wholesale trades' list of payments.

The largest tax payments in relation to sales are found in the iron and steel products, building materials, and machinery industries, which are characterized by a slow turnover of inventory and a large fixed investment in plant and equipment. Lightest payments are reported by the food industries, chemical, drug, and paint manufacturing, and by producers of durable and semi-durable consumer goods, whose inventory turnover is usually high, and equipment investment often nominal. *Dun's Review*, April, 1939, p. 8:13.

Overhead Expense Budgets

Nearly every concern now uses fixed overhead rates to figure costs rather than actual overhead rates. There are various ways to apply overhead to individual costs, the most common being the percentage of direct labor, the cost per man-hour, or the cost per machine-hour. Whatever method is used, the theory is to determine the overhead expense that will or should be incurred when production is normal and divide the expense by the unit that represents production. This operation is carried out by departments or types of machines.

The overhead cost per unit thus calculated becomes the standard overhead cost. The allowances made for each kind of expense are the standard allowances per unit, and the actual units produced in any period of time multiplied by the standard expense per unit gives the standard expenses for the period. By comparing these with the actual expenditures, the variation in overhead can be determined not only in total but also by classifications of expense.

The establishment of normal expense allowances for normal volumes involves considerable judgment. But to establish expense allowances for vol-

umes ranging up and down the scale from normal complicates the management's task immensely and requires even greater judgment.

A budget which does not vary in proportion to production would be very difficult to apply on any basis which takes account of the various standards established for different types of machines located within a single department. It is simple enough when one standard suffices for every operation in a department, but this ideal situation is seldom encountered.

As a practical proposition it is often preferable to keep standard overhead expense allowances and budget allowances the same. When production is decreasing, this method induces department heads to devise ways and means of keeping within the budget. In periods of rising volume, budgets should be beaten in most cases for temporary periods. But if actual expenses are unduly held down, production generally lags, quality suffers, and spoiled work increases. *Connecticut Industry*, March, 1939, p. 15:1.

INSURANCE

Insurance abstracts are contributed by P. D. Betterley, Insurance Consultant, Graton & Knight Company.

Inland Transportation Insurance

The transportation policy is designed to cover the various hazards of transportation while goods are in transit by railroad and truck, the latter of which is perhaps the more important today. The policy will protect retailers, wholesalers, manufacturers and others having an interest in merchandise to be shipped and will cover them from the time the goods leave their warehouse till arrival at the warehouse of the consignee or the destination, and it can be amended to suit the particular needs of the insurer.

There are several forms in which this policy can be written:

1. Carrier's form—the policy required by truckmen who are transporting goods and merchandise, the property of others.

2. Owner's form is issued where the insurer is transporting his own goods only. This policy grants automatic cover subject to various limitations, and usually provides for storage privileges for a certain time.

3. A combination of owner's and carrier's forms may be issued to owners of merchandise who transport goods by their own trucks and also use the trucks of others.

4. Bailees' policies are commonly used now, and are designed to cover the legal responsibility of the insurer for customers' goods while in his possession.

5. The personal effects policy is one

of the most common policies, covering anything of a personal nature.

The Weekly Underwriter, February 4, 1939, p. 290:3.

Fidelity Bonds

Despite the exercise of good judgment based on experience and common sense, there are bound to be fidelity losses that can never be foreseen.

The blanket bond eliminates guesswork as to the amount of coverage needed on various positions. True, it must be purchased in sufficient penalty so that a fairly substantial loss will not wipe out coverage on the rest of the personnel, in view of the fact that the commercial blanket bond cannot be restored retroactively after loss. The commercial blanket bond would seem to be the better buy.

Corporations that do a nationwide business and have branch offices scattered all over the country need blanket protection, because they frequently find that a branch manager has increased his personnel, and it may be some weeks before the matter is brought to the attention of the insurance man at the home office.

Fidelity coverage is even more important to the average-sized concern than to some of the larger ones, because a defalcation that would cause only a ripple in the financial setup of a large organization might easily throw a smaller one into bankruptcy. *The Weekly Underwriter*, February 18, 1939, p. 402:2.

Editor's Note: The foregoing article is intended for those who sell insurance, but we have abstracted it because of one statement appearing therein which may mislead the reader. It is stated that "the commercial blanket bond cannot be restored retroactively after loss." For years it has been possible to obtain commercial blanket bonds with a retroactive restoration feature, and more recently the rates on such provisions have been substantially reduced, so that it is to the advantage of the buyer to purchase a contract having this supplemental feature.

Fires—A Business Problem

Into the general picture of destruction by fire must come a consideration of the loss that is entailed by the interruption of business. Successful business men are very careful to provide against many exigencies that might bring about a disruption of business. Yet many times this cause of disruption of business is omitted from business calculations entirely.

One of the lessons we must learn is that man's inventive genius for progress should be matched by his efforts to control the destructive forces that tend to destroy or retard that progress. That such control is effective is demonstrated by the fact that, where attention has been paid to construction, where adequate fire protection facilities have been installed and proper alarm devices or a watchman service has been provided, and these factors are coupled with good housekeeping—that is, control of the occupancy condition from day to day—fire losses have been cut down, business has not been inter-

rupted, and jobs have been maintained.

Management must accept the responsibility of safeguarding its property. This must include an effort to awaken in each employee a sense of his responsibility for protecting his own job. *Safety Engineering*, March, 1939, p. 37:2.

Retrospective Rating

Retrospective rating has put new life into workmen's compensation. Frequently the question is asked, "What is retrospective rating?" A good definition is as follows: *Retrospective rating is a method of determining the premium cost of a risk after the loss experience for the risk has been developed.*

Retrospective rating is a great leveler; it deals with the present and gives the risk full credit for its current experience, and it gives that credit directly and promptly. Retrospective rating allows a risk full credit for its improved loss experience resulting from accident-prevention activities. The plan is now effective in 28 states, Alaska, and the District of Columbia.

In the retrospective rating formula the claim adjustment expenses and taxes are in direct proportion to the insured losses; hence, for every dollar of losses the assured saves through effective accident-prevention and safety work, his premium will be reduced.

The primary thought is to control accident frequency—*you can not make a risk a good risk merely by inspection.* Something more is needed, and that something is the employer's interest, cooperation and participation to the fullest extent in an accident-control program. *The Insurance Broker-Age*, March, 1939, p. 3:7.

Insurance College

The Hartford College of Insurance, which will be the first degree-granting school in the country to be devoted entirely to men and women in the insurance business, will open in September under the sponsorship of the law college.

During the formative years of the insurance college two courses will be given. The first, in general insurance science, will extend over three years of night instruction and will lead to the degree of Master of Science in Insurance. The second will be a combination of insurance and law.

Applicants who possess a bachelor's degree from accredited colleges or universities and who are already employed by insurance companies or recommended by such companies will be admitted to the insurance college as candidates for the degrees. *The Weekly Underwriter*, March 25, 1939, p. 654:1.

Hazards in Connection with Pressure Vessels

One boiler in every 170 is physically unsound and unsafe. One boiler in seven possesses dangerous defects, and one in every two possesses minor defects. Each year there are more than 1000 serious accidents caused by defective boilers, and approximately as many persons are killed and injured in those accidents, to say nothing of

the enormous property damage that results.

While it is not generally considered that unfired pressure vessels are particularly hazardous, the explosion of a hot-water storage tank has resulted in the loss of five lives, the injury of 40 persons, and extensive property damage.

Perhaps the outstanding reason for the frequent boiler failures is that less than 10 per cent of natural waters are fit for boiler use because of impurities; about 80 per cent of all boiler failures can be traced to the effects of those impurities. Only from a chemical analysis can the degree of purity or impurity of feed waters be ascertained, and this has led to development of the highly specialized and individualized service afforded to assureds today by insurance underwriters. *The Eastern Underwriter*, March 10, 1939, p. 42:1.

Insurance Conference

The Insurance Conference of the American Management Association will be held at the Hotel Claridge, Atlantic City, N. J., on May 22-23.

Survey of Books for Executives

Property-Life Insurance. By Hans Heymann. Harper & Brothers, New York, 1939. 221 pages. $3.00.

To insurance-minded America Dr. Hans Heymann brings an idea designed to revive our construction industry and restore the real estate "business" as a field of profitable operation for the enterpriser and investor. In "Property-Life Insurance" Dr. Heymann presents a treatise on the credit hazards involved in real estate finance and outlines his plan for insuring some of these risks. Professor Richard T. Ely supplies an arresting foreword, including the declaration that "in ten or twenty years from now it will be difficult to conceive America without Property-Life Insurance, just as today we cannot think of an America without fire and life insurance."

Dr. Heymann's indictment of the old mortgage system and the unsound credits it created is not without a foundation in fact, but what he really attacks is the principle of free competition and the profit motive in the real estate field. He attributes our difficulties to the following factors:

1. Real estate enterprise was largely in the hands of "speculators" seeking quick and easy profits, and their unrestrained competition often led to false appraisals, jerry-building, over-borrowing and the like.

2. The "guaranteed mortgage rack-

et," which was employed as a means of deluding investors into the belief that the "guarantee" could make a good mortgage out of a bad one.

3. The absence of a system of property-life insurance operating as a depreciation trust, with responsibility for maintaining the mortgaged properties in serviceable condition.

It must be admitted that there were many frauds and a great deal of carelessness that is more easily discernible with hindsight. But most of the losses resulting from mortgage investments in the 'twenties must be assigned to causes other than fraud and carelessness. In the ensuing depression, rents have fallen, taxes have increased, and operating costs have gone up, so that first the speculator was squeezed, then the investor, and finally the mortgagee.

The optimism largely responsible for the easy credits to finance real estate construction in the 'twenties was grounded on generations of rising values and accelerated savings accumulations. The ensuing collapse has shaken our faith in some of the assumptions on which construction proceeded until 1930.

Professor Ely in his introduction says with truth that "the reestablishment of confidence in the future development of American capital and private enterprise can be based only on faith." Dr. Heymann says confidence can be based only on his "creative credit apparatus," and he places us at another crossroads (page 27): "America is at the crossroads and can choose either the old way of a negative, disorganized and arbitrary capital-financing scheme, or this new positive system, called the scientific self-management of capital."

The book is replete with many such generalized conclusions. Certainly the plan has positive elements, but they do not seem to me to justify Dr. Heymann's claim that "once and for all, a way has been found for airtight security of long-term creative credits, by transferring the amortization quota of the capital of the mortgaged objects (buildings) to an insurance community of property-owners."

Property-life insurance is nothing more—or less—than *a depreciation trust dedicated to the physical maintenance of the property* but not covering the ordinary insured hazards such as fire and lightning, use and occupancy, etc., which would be insured as heretofore. Nor does it purport to protect the primary interest of ownership, which is earning power, from the risks of obsolescence, shifting population, reduced rents, higher taxes or, in the case of commercial buildings, higher operating costs. The property-life insurance company would say, in effect, to the mortgagee: "Let the loan stand in its original amount and take instead the benefits of our property-life insurance policy." To the owner or mortgagor: "Instead of amortizing your debt, pay us annually a premium sufficient to enable us to accumulate, with interest earnings, a fund equal to your original building investment, plus a very little more to carry the risk of extraordinary repairs which we assume during the life of our contract, which is coterminous with the estimated life of your building. At the end, if all goes

well and you have paid all your premiums, we will hand you a sum equal to your original investment. Meantime your building will have been maintained in serviceable condition. But if rents go down and taxes go up, we can't help you. Our obligation is to the *mortgaged thing,* until the contract expires, and not to its ownership."

Testifying before the Temporary National Economic Committee on February 7th, Mr. Frederick H. Ecker, President of the Metropolitan Life Insurance Company, which at December 31, 1938, held $900,000,000 of urban mortgages and $250,000,000 of urban real estate largely acquired by foreclosure, said: "In real estate, obsolescence is the factor against which we have to work." Yet obsolescence is not one of the hazards covered by Dr. Heymann's insurance system. And I strongly suspect that Mr. Ecker will continue to prefer amortization to "property-life" contracts as security for the funds of his policyholders.

It seems to me that Dr. Heymann's system contemplates real estate investment for use and not for profit. It presupposes a static community, because in a community where conditions are not relatively static there is no way to underwrite the risks that are inherent in *any* long-range calculation. In the case of real estate investment by equity owner or mortgagee, these risks remain a part of the inescapable burden of the business, and I believe it would be unwise to overlook this fact in accepting Dr. Heymann's system as the basis for "airtight security."

The demand, if any, for property-life insurance in the near future will be determined by the attitude of institutional investors, such as life insurance companies and savings banks. They are under enormous pressure to find suitable investments, preferably in sound mortgages. The positive elements of Dr. Heymann's system may justify granting longer terms than have heretofore been considered safe.

Reviewed by Dudley Cates.

The Science of Production Organization. By E. H. Anderson and G. T. Schwenning. John Wiley & Sons, Inc., New York, 1938. 282 pages. $3.50.

"Organizing" and "organization" are commonly used words when people meet and the need for organization is universally accepted in dealings between them. In fact, organization is so common in our complex human relationships that comparatively few people have stopped to study it and still fewer view it as a science.

In this book the authors present a scientific approach to the subject based upon extensive research into the problems and importance of organization and into the experiences and conclusions of business leaders, engineers and students of scientific management. Their research has led the authors—and leads the reader—to the conclusion that "there is a science of organization" and that most of the seeming confusion of thought upon the subject "arises because of the failure to distinguish between the capacity to organize and the capacity to manage or execute."

The authors also conclude that the chief difficulty in establishing the science of organization as such is encountered in convincing those who continue to rely only upon their own personal experience and offhand observation for proof and acceptance and that organization is a problem that "is no longer to be regarded as a matter of genius, mental aptitude, common sense, or abstract logic. It is to be studied by the method of the scientist who observes, analyzes and classifies facts, makes inferences from these facts, and verifies these inferences." In harmony with these conclusions the authors proceed to follow the method of the scientist and present their findings in a logical manner.

The work is replete with quotations from statements of business executives, consultants in management, and teachers and students of economics, business organization and business administration. Apparently conflicting viewpoints are examined and clarified, differences are analyzed, and points of agreement are emphasized.

The authors declare that "Wherever a definite position has been taken in this study, it has been done not with a view to entering into controversy with people who have expressed certain concepts but with a view to helping in the building of a unified and useful body of information."

Considerable care has been exercised by the authors not only to clarify the distinction between and the relation of administration, management, and organization in its broad sense—as distinguished from "production organization"—but to clarify their meaning throughout so that the reader will think in the same terms as the authors.

After tracing the evolution of the theory of organization and the progress made in attempts to analyze human effort and to find its true elements in the development of scientific management, the authors proceed to apply their findings in a logical and scientific way.

Stress is laid upon the necessity of looking first through the "small end of the telescope" at the factors which have a great influence upon decisions as to the selection of the right kind of an organization to suit the particular needs of an enterprise and upon the need for holding these influencing factors constantly in mind.

The work of actual development of the organization is likened to the reversing of the telescope and looking through the large end to study the elements of the work to be done within the business to satisfy its purposes.

In treating the elements of work, the authors discuss "therbligs" exhaustively under the subject of organization of work. Then, in turn, the subjects of organization, structure, types of organization, the principles, laws and broader aspects of organization and integration and rationalization are developed thoroughly and without bias.

The book constitutes an important contribution to the field of scientific management.

Reviewed by Stanley P. Farwell, President, Business Research Corporation.

Strikes: A Study in Quantitative Economics. By John I. Griffin. Columbia University Press, New York, 1939. 319 pages. $4.00.

The material in this study is correlated to business cycles and to the labor movement. In order to examine more clearly the fluctuations in the national economy as reflected in strikes, the author discusses the industrial history of one state, Massachusetts, and particularly the growth and decline of its major industries.

The author shows why, on the basis of the figures used, there is no dominant trend to be found and no basis for forecasting the future. Material is presented to show how strikes oscillate in accordance with two factors and are shaped by them—the business cycle and the political "climate" of the country. The relationship between business cycles and strike cycles is studied, as is the relationship between unionization and strikes.

There is considerable material in this field which might be called "qualitative" in nature, but this is one of the very few studies to examine the subject from the viewpoint of "quantitative" economics. There has been much comment on the alleged increase or decrease of strikes in recent years and the effects of union organization and government policy. This is the first book which assembles and analyzes all the evidence insofar as that evidence can be expressed quantitatively.

Briefer Book Notes

THE ECONOMIC ASPECTS OF MEDICAL SERVICES. By Paul A. Dodd and E. F. Penrose. Graphic Arts Press, Inc., Washington, D. C., 1939. 500 pages. $3.75. This is the most comprehensive and thoroughgoing study of the health insurance problem that has appeared to date. While the survey is confined to one state (California), it presents much illuminating data regarding more general conditions. The authors are on the faculty of the University of California.

DEPRECIATION PRINCIPLES AND APPLICATIONS. By Earl A. Saliers. The Ronald Press Company, New York, 1939. 482 pages. $5.00. This is the third edition of Dr. Saliers' well-known volume on depreciation. It offers a good insight into depreciation as it bears on all aspects of running a business. The discussion covers: determination of depreciation allowances; methods of recording and applying to manufacturing cost; setting up reserves for depreciating assets; handling of retirements and replacements; making of various adjustments; proper display of depreciation on the balance sheet and income statement.

SOCIAL SECURITY. By Maxwell S. Stewart. W. W. Norton and Company, New York, 1939. Revised edition. 398 pages. $3.50. This discussion of social security is calculated to appeal to a wider reading public than have previous books on the subject. Dr. Stewart considers the problem in its broader aspects. He points out that the efforts of individual business men and groups to assure their own security have greatly accentuated the fundamental insecurity of modern society.

AN INTRODUCTION TO MODERN STATISTICAL METHODS. By Paul R. Rider. John Wiley & Sons, Inc., New York, 1939. 220 pages. $2.25. A discussion and explanation of the most widely used statistical methods developed by R. A. Fisher. Their application is illustrated by comparatively simple numerical examples. Fundamental classical concepts are developed, and an insight is given into the more modern methods.

BUSINESS STATISTICS. By John R. Riggleman and Ira N. Frisbee. McGraw-Hill Book Company, Inc., New York, 1938. Second edition. 790 pages. $4.00. This study is concerned with problems of actual statistical practice, such as business forecasting, budgeting and marketing analysis. In this edition, more space is devoted to machine tabulation, index numbers, and analysis of business cycles. New material is presented on the problem of sampling.

CONSUMPTION IN OUR SOCIETY. By Elizabeth Ellis Hoyt. McGraw-Hill Book Company, Inc., New York, 1938. 420 pages. $3.00. This book deals with the psychological background of consumers' choice, and shows how purchasing power and ability to secure desired goods and services may be increased or decreased by changes in production and income distribution. The measurement of actual consumption, the nature of our own and other standards of living, and the maximizing of consumer satisfaction are also discussed.

LABOUR COURTS. An International Survey of Judicial Systems for the Settlement of Disputes. International Labour Office, Washington, D. C., 1938. 220 pages. $1.25. A survey of those judicial tribunals which have compulsory jurisdiction over labor disputes, including individual disputes about rights. A comparative analysis of the constitution and working of the various labor judiciaries is given. The survey also contains a series of national monographs describing the various phases of the development and operation of the special procedure in force in each country for the judicial settlement of labor disputes.

WHERE DOES AMERICA GO FROM HERE? By Thomas Alexander Baggs. Harper & Brothers, New York, 1938. 105 pages. $1.50. The author presents his reactions to the changing pattern of our social, political and economic life. The subjects considered include: the government clash with business, the progress of labor, rights and wrongs of Roosevelt, causes of the 1937-38 depression. Mr. Baggs suggests a plan for recovery, and a 10-year program for economic tranquility.

MERCHANDISE TESTING AS A GUIDE TO CONSUMER BUYING. By Mabel Taylor Gragg and Neil H. Borden. Bureau of Business Research, Harvard University Graduate School of Business Administration, Boston, 1938. 84 pages. $1.00. A comprehensive study on problems of merchandise testing. The use made of tests and evaluating procedures in industrial and governmental buying is described, and the applicability of experience in those fields to problems of merchandise evaluation for consumers is studied. The issues presented by use of grade notations, brands, informative labels, and other evaluating devices are examined. The study seeks to determine, not what constitutes sound methods for product-testing in specific instances, but rather what represents a valid goal for programs of merchandise evaluation.

RECAPTURE THE LOST SALES OFFENSIVE! By J. George Frederick. The Business Bourse, New York, 1938. 158 pages. $1.50. The author deplores depression psychology and advocates the return of salesmen to an offensive rather than a defensive selling approach. Mr. Frederick also discusses present and future selling opportunities, and outlines three tests for salesmen.

TRADE ASSOCIATIONS IN LAW AND BUSINESS. By Benjamin S. Kirsh and Harold Roland Shapiro. Central Book Company, New York, 1938. 399 pages. $5.00. An analysis of business, economic and legal aspects of trade associations, and the problems faced by these groups under the anti-trust laws. The effects of recent legislation, such as the Robinson-Patman Act and the amended Federal Trade Commission Act, on the trade association are analyzed. Constructive trade association services, such as statistical reporting plans, uniform cost accounting methods, and credit bureau and collective purchasing functions, are examined.

INVESTMENTS AND INVESTMENT POLICY. By Floyd F. Burtchett. Longmans, Green and Company, New York, 1938. 821 pages. $4.00. A realistic survey of general investment principles and specific investment problems. Investment characteristics of the major industries, institutional and group investments, and commodity investments are discussed by Mr. Burtchett. Special consideration is given to quasi-government obligations. The viewpoint of the owner of capital is emphasized.

OMNIBUS OF MARKETING AND PACKAGING: 1938. Creative Journals, Ltd., London, 1938. 314 pages. This packaging encyclopedia contains an atlas of media and markets; a breakdown of circulation distributions; and a survey of merchandising and packaging by industries. One section is devoted to display; another section covers technical details pertaining to materials and processes of container manufacture. An illustrated guide to all branded products is included. The volume is a comprehensive manual on English packaging.

A MANUAL OF FOUNDRY PRACTICE. By J. Laing and R. T. Rolfe. Chapman & Hall, Ltd., London, 1938. Second edition. 312 pages. 18 shillings. An interesting and informative exposition of the principles and practices of the foundry. Foundry techniques are described, and practical operating details of plate and machine molding, melting of cast iron, non-ferrous founding, etc., are set forth.

The I.L.O. YEAR-BOOK: 1937-1938. International Labour Office, Washington, D. C., 1938. 650 pages. $2.75. A review of outstanding events affecting industry and labor in 1937-1938. The volume specifically deals with economic developments, working conditions, social insurance, the remuneration of labor, employment and unemployment, migration, workers' general rights, etc.

ACCOUNTING IN LAW PRACTICE. By Willard J. Graham and Wilber G. Katz. Callaghan and Company, Chicago, 1938. Second edition. 553 pages. $6.50. A discussion of accounting principles and functions important to the lawyer. Recent trends are reviewed in chapters on the handling of treasury stock, reductions of capital stock, and public utility valuation and depreciation.

INTERNATIONAL COMBINES IN MODERN INDUSTRY. By Alfred Plummer. Pitman Publishing Corporation, New York, 1938. Second edition. 302 pages. $3.50. A comprehensive treatise on the nature and development of international combines. Supplementary material on the operations of the international cartels controlling raw materials, and the armament combines, has been added to this edition. The formation of new international cartels in the coke, kraft paper, and air transport industries is described.

UTILIZING THE WEEKLY FEDERAL RESERVE STATEMENT. American Institute of Banking, New York, 1938. 162 pages. $1.50. The implications of the Federal Reserve statements in relation to the business process are pointed out. The purpose of the book is to help the banker develop a technique for interpreting information supplied by such indicators of current trends as the weekly statement of the Federal Reserve banks, the weekly statement of selected member banks, the daily Treasury statement, and statistics concerning the volume of production and trade.

FINANCIAL ORGANIZATION AND THE ECONOMIC SYSTEM. By Harold G. Moulton. McGraw-Hill Book Company, Inc., New York, 1938. 515 pages. $3.50. A broad analysis of functions performed by the various financial institutions which comprise the modern financial system. This book is a new version of "The Financial Organization of Society," by Mr. Moulton, published in 1921. More attention is devoted to current issues than to historical material. Most significant of the new chapters are those on government finance and monetary stability; the regulation of investment banking; and the position of government in the credit system.

TIMESTUDY FOR COST CONTROL. By Phil Carroll, Jr. McGraw-Hill Book Company, Inc., New York, 1938. 305 pages. $3.00. The author describes a practical method of completing the time study measurement and control of cost without rearranging a plant. A new viewpoint on time study is presented, based on the use of standard data, which would practically eliminate the application of direct time study standards. The book is a comprehensive treatment of the principles, functions and application of time study measurement for cost control.

LABORATORY MANUAL AND PROBLEMS FOR ELEMENTS OF STATISTICAL METHOD. By Albert E. Waugh. McGraw-Hill Book Company, Inc., New York, 1938. 171 pages. $1.50. A collection of statistical tables and formulas, and problems in statistical theory and methodology. Several tables were especially compiled by the author for this manual; some others appear for the first time in book form. The uses of the tables are outlined in brief introductory sections.